

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS

SCHEDULE OF FINDINGS

JUNE 30, 2004 AND 2003

## NEWS RELEASE

For Release --

The audit report of Community Cable Television Agency of O'Brien County for the years ended June 30, 2004 and 2003 has been released. This report was issued by Hunzelman, Putzier & Co., PLC, C.P.A.'s and filed with David A. Vaudt, Auditor of State.

A copy of the audit report is available for review in the office of the Auditor of State and the Agency's office.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SCHEDULE OF FINDINGS  
  
JUNE 30, 2004 AND 2003

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COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Blayne Johnson	Chairperson	City of Hartley
Paul Struve	Vice-Chairperson	City of Paullina
Robert Mulder	2 <sup>nd</sup> Vice-Chairperson	City of Primghar
Bill Edwards	Member	City of Primghar
Tim Devitt (Appointed January, 2004)	Member	City of Sanborn
Gary Grapevine (Resigned September, 2003)	Member	City of Sanborn
D. J. Weber	Manager	

## Independent Auditor's Report

To the Members of Community Cable  
Television Agency of O'Brien County:

We have audited the accompanying financial statements of Community Cable Television Agency of O'Brien County (the Agency) as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency at June 30, 2004 and 2003 and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 7, during the year ended June 30, 2004, Community Cable Television Agency of O'Brien County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

The Agency, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2004 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Hungelman, Putzier & Co.*

August 25, 2004

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY  
STATEMENTS OF NET ASSETS  
JUNE 30, 2004 AND 2003

Exhibit A

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$484,651	\$346,838
Accounts receivable - customers	23,626	15,444
Accounts receivable - access fees	58,630	177,142
Accounts receivable - other	17,973	-
Prepaid expenses	37,571	49,304
Total current assets	<u>622,451</u>	<u>588,728</u>
Non-current assets:		
Furniture and equipment at cost, less accumulated depreciation of \$24,223 and \$17,207 (Note 4)	<u>21,940</u>	<u>23,375</u>
Total assets	<u>644,391</u>	<u>612,103</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 97,752	\$104,644
Accrued payroll taxes	2,897	6,365
Accrued vacation	7,847	11,943
Accrued sales tax	6,896	5,503
Accrued federal excise tax	1,800	1,504
Accrued property taxes	38,146	-
Customer prepayments	1,473	1,360
Customer deposits	14,925	10,250
Total current liabilities	<u>171,736</u>	<u>141,569</u>
Long term liabilities:		
Liability for post retirement benefits	<u>60,397</u>	<u>-</u>
<u>NET ASSETS</u>		
Invested in capital assets	21,940	23,375
Unrestricted	390,318	447,159
Total net assets (note 5)	<u>\$412,258</u>	<u>\$470,534</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

Exhibit B

	<u>2004</u>	<u>2003</u>
<u>OPERATING REVENUES</u>		
Cable revenue	\$ 646,894	\$ 636,149
Telephone revenue	764,850	507,497
Carrier access fee revenue	783,630	379,045
Internet revenue	226,700	139,918
Modem purchases and rentals	24,110	32,925
Other operating revenues	4,926	3,584
Total operating revenues	<u>2,451,110</u>	<u>1,699,118</u>
<u>OPERATING EXPENSES</u>		
Cable services	362,068	306,717
Telephone services	337,926	311,004
Carrier access fees	282,206	143,747
Internet services	94,832	74,206
Billing fees	60,693	52,018
Salaries	252,829	249,622
Employee benefits	105,391	85,910
Repairs and maintenance	172,459	30,961
Oil and gas	8,435	6,895
Advertising	10,628	12,543
Professional fees	36,925	17,643
Property taxes	38,146	-
Utilities	26,246	23,501
Postage and shipping	3,824	4,203
Office supplies	9,108	8,748
Meeting expenses	3,581	3,029
Insurance	12,773	11,428
Education and training	98	3,654
Operating supplies	3,566	6,802
Depreciation	7,016	6,620
Equipment rental	178	297
Telephone	10,300	19,492
Service agreements	41,081	28,028
Clothing allowance	725	-
Bad debt expense	23,680	7,047
Dues and subscriptions	2,691	9,779
Board fees	2,349	1,249
Miscellaneous	733	2,135
Total operating expenses	<u>1,910,487</u>	<u>1,427,278</u>
Operating income	540,623	271,840
<u>NONOPERATING REVENUES</u>		
Interest income	<u>5,318</u>	<u>7,128</u>

(Continued)

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

Exhibit B  
(Continued)

	<u>2004</u>	<u>2003</u>
Change in net assets	\$ <u>545,941</u>	\$ <u>278,968</u>
Net assets - beginning of year	470,534	191,566
Cumulative effect of accounting change on prior years	<u>(49,152)</u>	<u>-</u>
Net assets - beginning of year as restated	<u>421,382</u>	<u>191,566</u>
Residual equity transfers to member cities	<u>(555,065)</u>	<u>-</u>
Net assets - end of year	\$ <u>412,258</u>	\$ <u>470,534</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

Exhibit C

	<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from customers	\$ 2,549,944	\$ 1,579,482
Cash payments to suppliers for goods and services	(1,505,732)	(1,137,966)
Cash payments to employees for services	<u>(351,071)</u>	<u>(330,813)</u>
Net cash provided by operating activities	<u>693,141</u>	<u>110,703</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Payments to member cities	(555,065)	-
Purchase of furniture and equipment	<u>(5,581)</u>	<u>(425)</u>
Net cash used in financing activities	<u>(560,646)</u>	<u>(425)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest received	<u>5,318</u>	<u>7,128</u>
Net cash provided by investing activities	<u>5,318</u>	<u>7,128</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS:</u>	137,813	117,406
Cash and cash equivalents at beginning of year	<u>346,838</u>	<u>229,432</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 484,651</u>	<u>\$ 346,838</u>
<u>RECONCILIATION OF OPERATING INCOME TO</u> <u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income	\$ 540,623	\$ 271,840
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,016	6,620
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	92,357	(130,635)
Decrease (increase) in prepaid items	11,733	(42,547)
Decrease in payables	(6,892)	(9,783)
Increase in other liabilities	<u>48,304</u>	<u>15,208</u>
Total adjustments	<u>152,518</u>	<u>(161,137)</u>
Net cash provided by operating activities	<u>\$ 693,141</u>	<u>\$ 110,703</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

1. Summary of Significant Accounting Policies

Community Cable Television Agency of O'Brien County (the Agency) was formed in 1996 pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency was formed to manage, administer, operate and maintain jointly owned facilities and equipment for the purpose of providing cable television, telephone, and internet services to the citizens of the participating communities.

The Agency is governed by a Board consisting of five representatives serving on staggered six-year terms. There is one representative from each of the following governmental entities: the City Council of Primghar, the Board of Trustees of the Sanborn Electric and Telecommunications Utility, the City Council of Hartley, and the City Council of Paullina. The fifth representative is appointed by mutual agreement of the majority of the representatives from the governmental entities noted above.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Agency has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

C. Measurement Focus and Basis of Accounting - (Continued)

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Assets

The following accounting policies are followed in preparing the statements of Net Assets:

Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Furniture and Equipment - Furniture and equipment are accounted for at historical cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Furniture and equipment is being depreciated over a five to ten year life.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2004.

2. Cash and Investments

The Agency's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 3.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

3. Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Agency is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$14,588, \$13,912, and \$10,837 respectively, equal to the required contribution for each year.

4. Furniture and Equipment

A summary of furniture and equipment at June 30, 2004 and 2003 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Furniture and equipment	\$40,582	<u>\$ 5,581</u>	<u>\$ -</u>	\$46,163
Less accumulated depreciation	<u>17,207</u>	<u>\$ 7,016</u>	<u>\$ -</u>	<u>24,223</u>
Net	<u>\$23,375</u>			<u>\$21,940</u>

5. Net Assets

The net assets are allocated to the various members as follows:

	<u>Hartley</u>	<u>Paullina</u>	<u>Primghar</u>	<u>Sanborn</u>	<u>Total</u>
Contributed capital	<u>\$ 100,967</u>	<u>\$ 73,339</u>	<u>\$ 59,031</u>	<u>\$ 83,791</u>	<u>\$ 317,128</u>
Retained earnings at June 30, 2003 as restated	(7,928)	50,104	70,390	(8,312)	104,254
Change in net assets July 1, 2003 to June 30, 2004	173,248	134,109	165,667	72,917	545,941
Residual equity transfers	<u>(130,650)</u>	<u>(169,534)</u>	<u>(210,098)</u>	<u>(44,783)</u>	<u>(555,065)</u>
Retained earnings at June 30, 2004	<u>34,670</u>	<u>14,679</u>	<u>25,959</u>	<u>19,822</u>	<u>95,130</u>
Total net assets at June 30, 2004	<u>\$ 135,637</u>	<u>\$ 88,018</u>	<u>\$ 84,990</u>	<u>\$103,613</u>	<u>\$ 412,258</u>

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY  
NOTES TO FINACIAL STATEMENTS  
JUNE 30, 2004 AND 2003

6. Post Retirement Benefits Other Than Pensions

The Agency's sick leave policy provides that any full-time employee who elects to take retirement on IPERS or Social Security and has completed 180 months or more of continuous service to the Agency shall be compensated for up to 120 days of unused sick leave or prorated to the number of years of employment.

During the year ended June 30, 2004 the Agency changed its method of accounting for this benefit to conform with new requirements of the Governmental Accounting Standards Board. The effect of this change was to decrease net assets by \$11,245 for the year ended June 30, 2004. Financial statements for the year ended June 30, 2003 have not been restated and the cumulative effect of the change or \$49,152 is shown as an adjustment to beginning of year net assets.

7. Risk Management

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

8. Accounting Change

For the year ended June 30, 2004 the Agency implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these statements had no effect on the beginning balances of the Agency.

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Members of Community Cable  
Television Agency of O'Brien County:

We have audited the financial statements of Community Cable Television Agency of O'Brien County (the Agency) as of and for the year ended June 30, 2004, and have issued our report thereon dated August 25, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Agency's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (D) are material weaknesses. Prior reportable conditions have been resolved except for items (A), (B), (C), and (D).

This report, a public record by law, is intended solely for the information and use of the members and constituents of the Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Community Cable Television Agency of O'Brien County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Hungelman, Putzier & Co.*

August 25, 2004

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- A. Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated the activities of one employee act as a check on those of another. One person had control over each of the following areas for the Agency:

1. Accounting System - performance of all general accounting functions.
2. Receipts - collecting, depositing, journalizing, and posting.
3. Utility receipts - billing, collecting, depositing, posting, and reconciling.
4. Disbursements - preparing, recording, and reconciling.
5. Financial reporting - preparing, reconciling, and distributing.
6. Information system (computer usage) - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response -

1. Accounting System is the responsibility of the Office Manager and is overseen by the General Manager.
2. Receipts:
  - a. Cash and checks are verified and date-stamped by the CSR.
  - b. Monies are given to the Office Assistant for posting to the customer account.
  - c. Office Assistant prepares the deposit.
  - d. Office Manager posts to accounting system.
3. Utility receipts:
  - a. Each office person does billing.
  - b. Each city and office person does collecting and payments are recorded.  
See No. 2 for Depositing and Posting.
  - c. Reconciling is done by the Office Manager using our C-Pass accounting system and is reviewed by the General Manager.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

REPORTABLE CONDITIONS: (Continued)

A. Segregation of Duties - (Continued)

4. Disbursements:

- a. The Office Manager does preparation and recording. Then all disbursements are approved by the General Manager before final approval by the Board of Directors for The Community Agency.
- b. Reconciling is done by the Office Manager using our C-Pass accounting system and is reviewed by the General Manager.

5. All financial reporting is prepared by the Office Manager and is reviewed by the General Manager and the Board of Directors.

6. The computer usage is monitored and controlled by the General Manager.

Conclusion - While the above procedures do improve the segregation of duties there may still be occasions when an ideal segregation cannot be obtained because of the limited number of employees. The board should continue to be involved in reviewing documentation and reports.

B. Documentation Supporting Expenses - There were some travel expenses which were not supported by proper documentation. As a result we could not determine if these expenses were a proper expenditure of Agency funds.

Recommendation - The Agency should require that all original documents supporting an expense be attached and approved before payment is made.

Response - The next item is in regards to the documentation supporting expenses that are incurred by an employee that needs reimbursement. The Community Agency will further enforce its reimbursement policy. Original receipts will be required, as well as the TCA reimbursement sheet filled out completely by the employee. The reimbursement sheet along with the receipts shall be turned in to the Office Manager for verification. Once verification has taken place, the reimbursement sheet will then be given to the General Manager for approval. If the payment is to the General Manager, the Board Chairman will approve the payment. Payment will be made to the employee within 7 days.

Conclusion - Response accepted.

C. Electronic Data Processing Systems - During our review of internal control, the existing control activities in the Agency's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the Agency's computer based systems were noted:

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

REPORTABLE CONDITIONS: (Continued)

C. Electronic Data Processing Systems - (Continued)

The Agency does not have written policies for:

- Ensuring that only software licensed to the Agency is installed on computers.
- Usage of the Internet.
- Personal use of computer equipment and software.

Also, the Agency does not have a written disaster recovery plan and does not require back-up tapes to be stored off site in a fireproof vault or safe.

Recommendation - The Agency should develop written policies addressing the above items in order to improve the Agency's control over computer based systems. A written disaster recovery plan should be developed and back-up tapes should be stored off-site in a fire proof vault or safe.

Response - We are currently reviewing what policy needs to be implemented in regards to our software, Internet, and personal usage of computers. Also, backups of our computer data are being created, and a written plan is being created to accompany the backups.

Conclusion - Response accepted.

D. Utility Billings, Collections, and Delinquencies - Utility billings, collections, and delinquent accounts were not reconciled.

Recommendation - Procedures should be established to reconcile utility billings, collections, and delinquencies. The Agency should review the reconciliations and monitor delinquencies.

Response - We are currently trying to resolve the reconciled differences between our accounting software and the Martins billing system. Reconciliation is difficult due to the fact that the two systems report things at different times and we have no control of when the data is input on the Martin system.

Conclusion - Response accepted.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Other Findings Related to Statutory Reporting:

1. Official Depositories - A resolution naming official depositories has been adopted by the Agency. The maximum amounts stated in the resolution were not exceeded during the year ending June 30, 2004.
2. Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
3. Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
4. Board Minutes - No transactions were found that we believe should have been approved in the board minutes but were not.
5. Deposits and Investments - No instances of non-compliance with the deposit and investment policy were noted.
6. Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.